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*California. Legislature. Assembly.
Interim Committee on Education.*

Hearing of The
~~ASSEMBLY COMMITTEE ON EDUCATION.~~
SUBCOMMITTEE ON SCHOOL CONSTRUCTION FUNDS,

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Held in
Villa Hotel
San Mateo, California,



Wednesday, October 9, 1957.
10:00 O'clock, A.M.

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3 *interim*
4 Hearing of The
5 ASSEMBLY COMMITTEE ON EDUCATION
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12 Villa Hotel
13 San Mateo, California
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19 Wednesday, October 9, 1957
20 10:00 o'clock, A.M.
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A P P E A R A N C E S

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Assemblyman Carl Britschgi, Chairman
Assemblywoman Dorothy Donahoe, Vice Chairman
Assemblyman Leverette House
Assemblyman Don Anderson

Others Present:

Ralph L. Harmen, 515 Briar Wood Way, Campbell, Santa Clara
County Superintendent of Schools
John C. Munt, Jr., Laguna Salada Union School District
Robert McKay, California Teachers Association
Alfred H. Glantz, San Mateo County Superintendent of Schools
Norman R. Naegle, San Mateo City School District
David B. Graves, Moreland School District
Mrs. Roy N. Cloud, 1842 Whipple Avenue, Redwood City
Helen H. Morrison, Democratic Women San Mateo County
Mrs. Edwin J. Burley, League of Women Voters
Harold W. Napper, Ravenswood City School District
Mrs. Ira Boynton, American Association University Women
Mrs. Kenneth Coopenrider, League of Women Voters of Menlo Park
Mrs. Frederick E. Lucas, Laguna Salada Elementary School Dist.
Mrs. Alan Eisan, North Coastside Democratic Forum
William H. Barton, California Teachers Association
Alden C. Fensel, California State Chamber of Commerce
Mrs. E. P. Fay, League of Women Voters

Blanche Hansen, Secretary of the Education Committee

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Discussion of AB 4012

Discussion of AB 3903

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1 WEDNESDAY, OCTOBER 9, 1957, 10:00 O'CLOCK, A.M.

2 ---oOo---

3 CHAIRMAN BRITSCHGI: Good morning, ladies and gentlemen.
4 I think we can get started now. This is, as some of you know,
5 a subcommittee from the Education Committee of The Assembly,
6 and we are assigned bills to study on the school construction
7 funds. Now, I know that some people have the idea that probably
8 we are going to study the costs of school construction, which is
9 not true. We are not dealing with that particular problem whatso-
10 ever, and this committee has been assigned by Donald Doyle, our
11 Chairman, certain bills.

12 I would like to introduce to you the members of the
13 committee. I will start with Dorothy Donahoe of Bakersfield, who
14 is Vice Chairman of our Assembly Committee. And on her right
15 is Leverette House of Brawley. On my left is a new assemblyman
16 whom we are very very hap to meet this morning for the first
17 time. He was just elected to take Assemblyman Tom Doyle's place
18 who passed away during the legislative session - Don Anderson,
19 and we are happy that Don is up here with us, and we are sure
20 that he is going to help our committee along. Pauline Davis
21 will be here a little bit later, I'm sure. I received a wire
22 from her last night that she had a death in the family and
23 wasn't able to be here last evening, but planned on being here
24 this morning. The other member of the committee, Sheridan
25 Hegland from San Diego will not be with us today. He had other
26 commitments and so he will miss this meeting. I am your

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1 Chairman, Carl Britschgi from Redwood City. On my right we have
2 Blanche Hansen, the Secretary to the Education Committee, and
3 a terrific help to all of us, believe me, because Blanche knows
4 all the answers and what she doesn't know she knows how to find
5 out, so we are very happy to have Blanche here, too. Our
6 Court Reporter is Alice Book. We are happy to have you with us.

7 I think possibly to start this off, we have three bills
8 that we are assigned and two of the bills, I think, are really
9 important. The third bill is not - well, it's all right, but it
10 doesn't come into the category of what we would like to have
11 happen and I think to simplify the meeting, that if we could
12 concentrate on Bill 4012 and 3903, I think we could accomplish
13 what we are after today.

14 Now, I think in order to start the meeting off on a proper
15 note, we should possibly know just what we are attempting to do
16 and with that I would like to have Blanche, if she would, start
17 on Assembly bill 4012, and if she could read us the legislative
18 counsel's opinion of this particular bill and then we would like
19 to have some of you comment on it. I know that Mr. Glantz is
20 here, and I know he is prepared to offer some statements, and
21 we will call on you as we go along. So Blanche, I think, if we
22 start on 4012, and then we can hit on the other one as we
23 finish that one.

24 MISS HANSEN: From the Office of Legislative Counsel,
25 Analysis of Assembly Bill No. 4012.

26 "The bill (A.B. 4012) would add Division 15 to the

1 Education Code, relating to financial assistance to school
2 districts for school building construction.

3 Generally

4 "Requires the State Controller to annually transfer
5 from an unspecified fund in the State Treasury to the State
6 School Construction Fund for apportionment to school districts
7 an amount sufficient to provide an amount equal to \$35 per unit
8 of average daily attendance¹ credited to all kindergartens,
9 elementary, high school and junior college schools in the public
10 school system during the preceding fiscal year.² Requires Super-
11 intendent of Public Instruction to report total a.d.a. in all
12 elementary, high school and junior college schools in public
13 school system to Controller on or before September 10 of each
14 year.³

15 Apportionment of Fund

16 "(a) Foundation Programs

17 "Requires Superintendent of Public Instruction to
18 compute a school building construction foundation program for
19 each school district on the basis of the total a.d.a. credited
20 to the district during the preceding school year as follows:

21 "(a) For each elementary school district, multiply
22 a.d.a. by \$40

23
24 ¹ Hereafter referred to as a.d.a.

25 ² Ed.C. Sec. 30012 of bill.

26 ³ Ed. C. Sec. 30011 of bill.

1 "(b) For each high school district, multiply a.d.a.
2 by \$50.

3 "(c) For each junior college district, multiply a.d.a.
4 by \$60.⁴

5 "(b) Basic Aid

6 "Requires allowances to each school district of amount
7 computed by multiplying the total a.d.a. credited to district
8 during preceding fiscal year by \$25.⁵

9 "(c) Computational District Tax⁶

10 Prescribes a computational tax rate to be computed on
11 90 per cent of the assessed valuation of each district as
12 follows:

13 "(a) 20 cents per \$100 of assessed valuation inelementary
14 school districts.

15 ⁴ Ed. C. Secs. 30042, 33043, 30044 of bill

16 ⁵ Ed. C. Sec. 30051 of bill.

17 ⁶ The only purpose of a computational tax is its use in deter-
18 mining equalization aid for a particular school district. In
19 order to compute the amount of equalization aid, if any, to
20 which a district is entitled, there is first computed the amount
21 that would be raised by the levy of a specified tax rate in the
22 district. To this amount there is added the amount of basic aid
23 to which the district is entitled. The total of these two
24 amounts is then compared to the foundation program of the
25 district. If the amount that would be raised by the levy of the
26 specified tax rate, plus the basic aid for the district, is less

1 than the foundation program for such district, then the district
2 is entitled to the difference which is called equalization aid.

3
4 "(b) 18 cents per \$100 of assessed valuation in high
5 school districts.

6 "(c) 15 cents per \$100 of assessed valuation in junior
7 college districts.⁷

8 "(d) Equalization Aid

9 "Requires Superintendent of Public Instruction
10 to compare total of basic aid and district aid)computed by
11 application of computational tax rate) with foundation program of
12 district. If total of such amounts is less than foundation program
13 for particular district, he must then make additional allowance
14 to district in amount sufficient to equal foundation program
15 of district, to be known as equalization aid.⁸

16 "(e) Recomputation of Allowances

17 "Provides that if total amount of allowances to all
18 school districts computed in manner prescribed is more or less
19 than total amount transferred to State School Construction Fund,
20 allowances shall be increased or decreased, as the case may be,
21 proportionately.⁹

22
23 ⁷ Ed. C. Sec. 30061 of bill.

24 ⁸ Ed. C. Sec. 30071 of bill.

25 ⁹ Ed. C. Sec. 30081 of bill
26

Use of Apportionments

"Requires deposit of funds apportioned to school district in county treasury to credit of school construction fund of district,¹⁰ to be used only for capital outlay purposes and refunding of outstanding bonded indebtedness or state school building aid.¹¹

Miscellaneous

"Directs Controller to draw warrants payable out of State School Construction Fund for amounts apportioned to school district by Superintendent of Public Instruction in two equal installments during October and April of each year.¹²

"Provides that for apportionment purposes, a unified school district shall be deemed an elementary, high school, and junior college district.¹³

"Permits moneys deposited in county treasury to credit of school construction fund of district, not required for immediate use, to be invested in bonds, notes, bills or certificates issued by Federal Government.¹⁴

"Ralph N. Kleps, Legislative Counsel

"By Austin N. Barber, Deputy"

¹⁰ Ed. C. Secs. 30001 and 33015 of bill.

¹¹ Ed. C. Sec. 30021 of bill.

¹² Ed. C. Secs. 30014 and 30091 of bill.

¹³ Ed. C. Sec. 30031 (e) of bill.

¹⁴ Ed. C. Sec. 30002 of bill.

1 CHAIRMAN BRITSCHGI: Thank you, Blanche. From there,
2 Al, do you want to start off?

3 MR. GLANTZ: Mr. Chairman, I did not state that I was
4 going to say anything and I haven't anything prepared. I'm
5 sorry, I've been just too busy I wasn't able to analyze the
6 material you left in the office sometime ago. I may think of
7 something later on.

8 CHAIRMAN BRITSCHGI: I might say this, that this particu-
9 lar meeting this morning - we would generally have at a meeting
10 of this particular nature some forty or fifty people, but we
11 are in conflict this morning with the California School Board
12 Associations having their annual convention in Long Beach, and
13 it so happens that all of the gentlemen have written to us and
14 asked that if we are going to have some more meetings, which we
15 are throughout the State, and they would then like to be heard
16 at these later meetings. So this morning we do have a rather
17 small gathering, but we are certainly happy that as many people
18 could come to our particular meeting. In particular I'm very
19 happy to have the League of Women Voters here at the meeting
20 and I know that this particular project of education is one that
21 they have always been very interested in. I also notice Mrs.
22 Cloud is here from the PTA. Well, I think possibly some of the
23 committee members might have something to say on it. Dorothy, do
24 you want to start out?

25 ASSEMBLYWOMAN DONAHOE: I'm listening.

26 CHAIRMAN BRITSCHGI: Let's have Mr. Harris tell us some-

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1 thing about the Department of Finance on this situation. This
2 brings up a new concept as far as financing school costs. And
3 as you all know that we have been considering education an
4 emergency for the last ten or twelve years and the entire Educa-
5 tion Committee have felt that it is just about time that we
6 stopped kidding each other and admit education is no longer an
7 emergency. It is something that is here with us and we are living
8 with it, and every year that we have to sell some more bonds
9 and to continue to pay the interest rates on this enormous project
10 of school construction, that we are running the state into a
11 financial chaos sooner or later and I know that Mr. Harris is
12 here to uphold his end and to advise us from the Department of
13 Finance's standpoint as to whether this type of financing would
14 at all be possible. This actually amounts to, and if these
15 two particular bills that we are talking about today are
16 eventually brought into law, that we would be on a pay as you
17 go basis, and I have always been more or less along that
18 particular line of thinking, and it's by far the cheapest way
19 if it could possibly be worked out, and that naturally is the
20 shortest way to accomplish the purpose that we are after. But
21 if you aren't able to set it up financially to start with, why it
22 is rather hard. So, Mr. Harris, would you give us your comments?

23 MR. HARRIS: I didn't come prepared to speak on this par-
24 ticular bill, but it would be my observation that the bill would
25 accomplish a purpose that many people advocate and that is
26 returning full control of school construction to local boards.

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1 I might add, however, that the cost will be great and on the
2 other side there are many districts that are fully developed that
3 have little or no need for the building program as such and
4 would have the funds available for other than school building
5 construction. In other words, athletic fields, swimming pools
6 and other types of facilities that might be over and above that
7 normally contemplated in a so-called emergency state aid program.
8 In the impacted area, of course, it might not be sufficient to
9 accomplish the purpose designed, that is give them sufficient
10 funds to house all of the children they have.

11 CHAIRMAN BRITSCHGI: Could you give us possibly a little
12 bit of information - I think most of the people would be in-
13 terested - on these particular bond issues. Your particular opinion,
14 possibly, I think would be of interest to the people here as to just
15 the enormous cost on school bonded indebtedness that we have and
16 the interest bearing rates.

17 MR. HARRIS: To date, the state has authorized 635 million
18 dollars of bonds and at the moment all of those funds have been
19 apportioned except some 40 million dollars, and incidentally the
20 next possible bond election that can appear before the voters
21 would be a year from now. The last session of the Legislature, of
22 course, no legislation was introduced that would put such a
23 bond issue up to the Board and now the allocations Board is
24 running along with the rather short funds, and they have talked
25 of a curtailed program to see what would happen in the budget
26 session. Many districts still have housing problems.

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1 The state program now contemplates a three year's
2 estimate of enrollment for the elementary school district and
3 a four-year estimate for the high school districts, and to date
4 they haven't been able to file the applications to catch up with
5 the increased allowance; prior to this it had been two and three
6 years. That will, of course, put a, quite a strain on the remain-
7 ing forty million dollars. The cost of servicing the state bonds
8 that have been issued and sold runs about some 20 million dollars
9 a year. The school districts are repaying at a rate of about 10
10 million dollars, so that the State general fund is absorbing at
11 the moment about half of the cost of debt service for the school
12 district bonds.

13 CHAIRMAN BRITSCHGI: Fine, Mr. Harris.

14 ASSEMBLYWOMAN DONAHOE: Could I ask a question. Are we
15 running now - the Allocation Board can run about six more months
16 at the rate we are going on this last bond we put through and
17 it will be depleted?

18 MR. HARRIS: Unless there are priority points or some
19 type of curtailed program, the funds should be exhausted sometime
20 in the early part of next year.

21 ASSEMBLYWOMAN DONAHOE: Between the early part of next
22 year, say February of 1958, March of 1958, unless we have a new
23 bond coming through from the budget session coming up, it will
24 be out for another two years.

25 MR. HARRIS: Or unless the legislature in their wisdom
26 makes additional funds available to augment the program. There

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1 was a bill Senator Dilworth had with an appropriation of 20
2 million dollars from the general fund to augment the program,
3 but that was not signed by the Governor.

4 ASSEMBLYWOMAN DONAHOE: Then the Allocation Board is
5 still absorbing money in about the same ratio as we were before -
6 the needs are still as great.

7 MR. HARRIS: It's slowed down. We have a rather peculiar
8 problem. Generally the school districts file their applications
9 at the latter part of the fiscal year, June, July and August
10 before the new assessed valuations are known, and at that point
11 they are pretty well caught up on their application needs. Now,
12 they are starting to come in again when they start to use their
13 October enrollment or their new enrollment, when schools open
14 and it creates a demand and there are a good many applications
15 in the push, still in process of being assembled. We expect them
16 to hit us in another month or so.

17 CHAIRMAN BRITSCHGI: Do you have any recommendation as far
18 as we are concerned? What's going to happen when we run out
19 of this money? Something will have to be done. In what way as
20 legislators can we look forward to trying to help solve this
21 thing?

22 MR. HARRIS: You have a tax policy problem and then a
23 fiscal problem. I assume your body is the policy body not con-
24 cerned too much with the cost, but there are advantages to 4012
25 in that it would delegate the responsibility for school construc-
26 tion to the local level. On the other hand there is the possi-

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1 bility that many school districts that are not necessarily in
2 need of the funds would get it under that bill. I think in my
3 own opinion that there probably should be some consideration
4 given to impacted areas so that they would get somewhat of an
5 allowance for unhoused pupils over and above the normal allow-
6 ance in the bill.

7 For instance a district that has a housing problem is
8 undoubtedly more in need than the district that has housed
9 their children and would only need the funds for niceties in an
10 educational program.

11 CHAIRMAN BRITSCHGI: Fine.

12 ASSEMBLYWOMAN DONAHOE: In other words, you think this
13 bill should be amended to have more of a privation clause than
14 it now has?

15 MR. HARRIS: That is right, to take care of the impacted
16 areas.

17 ASSEMBLYMAN BRITSCHGI: We also have with us this morn-
18 ing Mr. Fensel of the State Chamber of Commerce. Would you
19 present some evidence for us on this particular matter?

20 MR. FENSEL: Alden Fensel, Director of Tax Department
21 of the California State Chamber of Commerce and a legislator
22 advocate. We have a report which was mailed to all of you legis-
23 lators and you probably will read it in due course of time, but
24 I think for the purpose of this meeting some of these figures
25 should go into the record. As you all know, we have had a
26 phenomenal increase in school attendance or enrollment in

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1 California. Never in the history of any state or perhaps of any
2 nation has there been such a large increase in enrollment requir-
3 ing the addition of facilities. Since the end of the war, and you
4 will recall there was a large increase before that starting with
5 1945-46 the average ADA increased from 1,244,535 to 2,546,281
6 in 1955-56. That is an increase of 1,301,746.

7 This increase is scattered throughout the grades. Grade
8 1 as of March 1957 had an enrollment of 266,886. Grade 12 on the
9 other hand has 101,389. The first large enrollment that we have
10 from the war is now in the 10th grade and there is an even
11 larger one in the sixth grade that is coming through. Now, this
12 means additional facilities all the way through. The State
13 Department of Finance has estimated that the enrollment in
14 1958 will be slightly under 3 million, and in 1970 it will be
15 4, 345,000. That would be an increase of 50% and in talking to
16 Carl Friesen of the State Department of Finance yesterday
17 he said that all indications are that they will have to revise that
18 upward, that the enrollment will be even larger.

19 Coming to the actual construction and these figures are
20 State Department of Finance and you could get them from them,
21 but we have them summarized and up to date here which they
22 probably do not have at the present time. Taking a back sight at
23 Capital outlaty expenditures in the period 1924-25 through 1930-31,
24 226 million dollars was expended. Then during the depression
25 period and up to the beginning, real beginning of the war 1931-32
26 through 1940-41, 219 million dollars was expended. Then during

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1 the war period 1941-42 through 1946-47, 90 million dollars
2 was expended, and then from 1947-48 through 1955-56, the last
3 fully reported fiscal year, \$2,104,000,000. Now, that is really
4 a startling figure and a real accomplishment. I think we have
5 to take our hats off to all people involved in this program that
6 that much could be expended and perhaps wisely.

7 Now, in the last eleven years, this outlay was financed
8 as follows: Property tax, \$479,642,000 or 22%; state loans and
9 grants \$450,721,000, or 21%; federal aid, \$69,842,000, or 3%;
10 district bond proceeds, \$1,158,316,000, or 54%. So it is
11 evident that the districts through their bond issues have taken
12 care of more than half of the program through the issuance of
13 bonds,

14 Now, as you all know, many districts have no bonds
15 outstanding. They have fully paid for their school facilities.
16 They may not be adequate from the standpoint of some people, but
17 the people in the district apparently think they are adequate.
18 I mention that because whenever you start to distributing funds
19 according to a formula such as this, you run into difficulty.
20 You can't do it accurately or get the money perhaps to the places
21 that need it, as Mr. Harris pointed out. The matter of debt is,
22 of course, important.

23 As of June 30, 1956, the total bonded indebtedness was
24 \$1, 112,742,000; and that is divided, \$362,487,000 elementary;
25 \$354,944,000 high school; \$22,920,000 for junior college;
26 \$372,391,000 for unified.

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1 Tracing backwards on that, in 1940 the total bonded
2 indebtedness was 182 million dollars; by 1950 it had jumped
3 to 476 million dollars, and then has escalated since to the
4 \$1,112,742,000 that I previously mentioned.

5 The payment of this debt is, of course, important be-
6 cause it is involved in this formula. If the state were to
7 assume this indebtedness, it would assume \$85,000,000 and if
8 you start projecting that on the basis of growth it will probably
9 be a hundred million before this next year.

10 Coming back again to the matter of location of need,
11 Mr. Harris mentioned that the bond issue failed to pass in the
12 regular session and in our opinion, the State Chamber, that was a
13 desirable thing to happen because the budget session is adequate.
14 We can get it on the ballot at that time. And we will know more
15 then about what is happening. I undertook and I have the working
16 papers, if your consulting staff is interested in them, that show
17 that the growth in the larger high school districts of the
18 state and the unified, and in most of these districts that are of
19 metropolitan character, going down even to the size of a city of
20 Stockton and others, the ninth grade is twice the size of the
21 12th grade, so you can see the impact that is going to hit these
22 schools.

23 Now, I tried to trace down just how much money these
24 districts would need from the state and I went to - tried to
25 reach it through official figures, their five per cent limitation,
26 and what they have issued in bonds and the figures were just a year

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1 too old to do it accurately, so by the time we reached the
2 budget session we will know more about it.

3 Now, I hate to hear this program called an emergency
4 program. I don't think it is. It's operated, I believe Mr.
5 Harris will agree, under a continuing law, isn't it - I mean
6 the operation. All of the procedures and what have you are set
7 up in this basic law, and it is a matter of supplementing the
8 financing part of it in what we think is desirable by annual
9 elections. Now, we have a disagreement as to what the need
10 will be.

11 One point that is helping very greatly in the spreading
12 of this money, is that under previous law, the Allocation Board
13 allotted for sites, plans and specifications plus the total of
14 the contract. In other words, it would allocate money for the
15 whole deal. Under the new law that is passed and which we
16 supported, the Allocation Board can allot for sites, plans and
17 specifications which defers the need for money up to about 85%
18 of the total cost. Now, that is a desirable thing. It helped
19 in our bond crisis because the State can't sell as many bonds as
20 it would like to. The market won't absorb them and they went
21 one period there of 90 days issuing veterans bonds that we
22 didn't have to issue any school bonds, and that was very helpful.

23 The effect of this bill, though, is only to the extent
24 of deferring the need for about nine months to a year, and then
25 we are back on the old cycle again because we are catching up, but
26 it does tide this present bond money over. When we reach the

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1 budget session, we will have to pass additional bond program -
2 even if such a bill as this were considered desirable and were
3 passed by the legislature, it couldn't be operated for several
4 years because of the mechanics in getting it going would be
5 just terrific and I think we must have another bond issue.

6 CHAIRMAN BRITSCHGI: May I ask you a question. Either
7 you or Mr. Harris can answer it. I know during the session there
8 was mention of the fact that the state had many millions of
9 dollars worth of bonds unsold that they weren't even able to
10 peddle them off. Are you in a position to tell us whether or
11 not we are nearing our bonding capacity as far as the state is
12 concerned? Could you give us a little history on that?

13 MR. FENSEL: I'm repeating what I think other people who
14 are authoritative in the matter has said and that is we haven't
15 reached our ultimate sale of bonds, and probably won't for a
16 long time. We know triple A is the best rating any state can
17 have or any governmental jurisdiction can have, and I think New
18 Jersey is the only one that has that. We have a double A and our
19 interest rate isn't as favorable as the triple A.

20 If we get too many more bonds outstanding, we might
21 drop to an A, but that isn't the only factor that's involved.
22 We are reaching a financial crisis in the state's general fund
23 as of not this next fiscal year, but the year after, just going
24 on the basis that additional taxes that will not be levied and
25 based on the Department of Finance figures, adjusted for the
26 liberalizations that were made by this legislature, and figuring

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1 again that this temporary financing of the additional
2 allocation for current expenses is only a two-year span, and then
3 it will hit the general fund in its total, we will be short about
4 150 million dollars of revenue and that will affect the state's
5 bond picture, too, because if we start deficit financing, it
6 can't help but affect our credit rating as far as the sale of bonds
7 is concerned. Does that answer your question?

8 CHAIRMAN BRITSCHGI: Yes.

9 ASSEMBLYWOMAN DONAHOE: Mr. Britschgi, along the same
10 line, it hasn't anything to do directly with school bonds, but
11 it does with bonds, and I don't know whether Mr. Fensel or Mr.
12 Harris can verify this, the trends. It is my understanding that
13 this last veterans bond loan, for instance, that we put through,
14 that some of our veterans are not being able to be processed in
15 time to prevent the refinancing going through and the last
16 legislation on this veterans loan we eliminated the possibility of
17 refinancing; once they had a veterans loan they couldn't refinance.
18 Now, then, they told us if given this extra staff that they could
19 keep up currently with the applications. Well, now they have the
20 staff, but they can't keep up the applications because the
21 bond market is glutted and they have now given us a ruling
22 that if a veteran has applied and has been processed for a
23 California veteran loan that if the reason for his application
24 not being favorably acted upon is because of the bond market,
25 meanwhile someone has to refinance the home, they will not con-
26 sider that a refinance detriment to his standing so that veterans

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1 loan are having a terrific time because^{of}/the bond market, and if
2 it doesn't change too soon how can we prevent that from recurring
3 on this school bond market.

4 MR. HARRIS: I'm not qualified to speak on the problems
5 of Department of Veterans Affairs.

6 ASSEMBLYWOMAN DONAHOE: Their answer is "We have the staff.
7 We are current as far as filing is concerned, but we can't unload
8 the bonds on the market fast enough to get the money because
9 they are not giving it to us."

10 MR. HARRIS: They have a bond sale coming up the 23d of
11 this month as well as some school bonds, but there is just so
12 many bonds that can be absorbed in the market and I know that
13 we contemplated a school bond sale at the same time as the last
14 veterans sale and it was held off and recommended against.

15 ASSEMBLYWOMAN DONAHOE: All of our Departments are
16 going to have to almost make a master schedule when they are going
17 to unload bonds on the market so they don't injure themselves
18 in competition with each other.

19 MR. HARRIS: We made some estimates on it and fortunately
20 we over-estimated a little. We have about ten million dollars
21 now. I think that was as of yesterday. We have been disbursing
22 at the rate of about, oh, close to 2 million dollars a week,
23 so the date that the funds are available from the school bonds
24 will be mighty close to the time we run out, but however, the
25 legislature did make it possible for a temporary loan from the
26 general fund while the sale is being completed, that is, the

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1 delivery of bonds and the transfer of the cash.

2 ASSEMBLYWOMAN DONAHOE: Is that financially feasible to
3 continue to do that, to give education a temporary loan of
4 funds?

5 MR. HARRIS: This is temporary, a matter of six weeks or
6 two months. It shouldn't have too much effect on the general
7 fund. Probably there is that much lying around in the investment
8 funds of the various agencies.

9 MR. FENSEL: Mr. Chairman, may I say in addition that
10 on the authority of the Controller's office, the General Fund
11 can without borrowing money on the outside run a deficit of any-
12 where from 50 to 80 million dollars, but I also, Miss Donahoe,
13 in these bond sales, the state still hasn't sold any of the
14 200 million dollars for its own facilities and probably in the
15 near future it may have to do that.

16 ASSEMBLYWOMAN DONAHOE: For capital outlay?

17 MR. FENSEL: Yes, that is the issue approved in the last
18 election.

19 CHAIRMAN BRITSCHGI: I know that we have with us Bob
20 McKay, the Executive Assistant, Executive Secretary of the
21 California Teachers' Association. He is the man who was
22 responsible for the terrific job on AB 3045 which most of you
23 folks know about and I think, Bob, we would like to hear a word
24 from you on this, from the California Teachers' Association's
25 standpoint.

26 MR. MC KAY: Thank you, Mr. Chairman. At this time I have

1 desire to speak specifically on the bills before this committee,
2 but instead to make a general statement with respect to the
3 building program and the problems as we see them. I think if I
4 were to make one plea it would be that the next bond issue,
5 and there is no question in our mind but there must be not only one,
6 but probably a series of additional state-wide bond issues for
7 school building, that the next bond issue be adequate not only
8 to do the job, not only for the next two years, but possibly for
9 four years.

10 Some of you may recall that when this program was
11 instituted in 1949, the California Teachers' Association did the
12 original research to determine what the need would be, and Mr.
13 Pensel's staff at the same time was making independent studies
14 and the figures from the two studies came out very close, in the
15 neighborhood of 400 million dollars for the foreseeable future.
16 The legislature in its wisdom and exercising some caution
17 authorized a bond issue of \$250,000,000. Subsequently there had
18 to be one for 185 million and since then two of 100 million
19 dollars each, and two years ago when Senator Dilworth proposed
20 the bond issue, we had the feeling that it was not adequate.
21 And Senator Dilworth was the author of a proposal which the
22 Governor vetoed to transfer 50 million dollars of the tidelands
23 oil money for this purpose to make up the deficit. We felt
24 during the consideration of the recent session that again the
25 amount proposed in Senator Dilworth's constitutional amendment
26 was inadequate and we asked the assembly committee on constitu-

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1 tional amendments to do one of two things, either to put the
2 issue over until the budget session or to increase the amount.
3 They increased the amount in the bond issue, not quite as much
4 as we had proposed, but substantially, in fact so substantially
5 that Senator Dilworth felt he was unable to justify at that time
6 the amount in the issue and he dropped it even though it had
7 been through one of the two houses. So we face the next session
8 of the legislature in February or March with the issue squarely
9 before you and as Mr. Fensel indicated, there is still ample
10 time to put it on the ballot. We will have about five months be-
11 tween now and then to see what the need is as it develops, and
12 we have no ready made answer at this time as to what the amount
13 should be. We were thinking in terms of a two year program last
14 spring when we were discussing it in the legislature.

15 We have the feeling that since there have been five, or is
16 it four, Alden, bond issues--

17 MR. FENSEL: Four.

18 MR. MC KAY: Four bond issues submitted to the people and
19 each one of them has been approved by an increasing percentage
20 of approval, starting at around 70% of the total vote and the
21 last one having approximated 80%, we think that indicated that
22 there is general public acceptance and approval of the program
23 as now constituted.

24 You may recall that in the early days of this program
25 as now constituted, there were some criticisms, some of them jus-
26 tified, of improper and extravagant use of the money, but the

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1 legislature in its judgment closed those loopholes. We think
2 that it is a tight program, perhaps in some instances too tight,
3 and that there is not the danger or the reality of wasteful
4 use of the money. We think that the voters have repeatedly said
5 that they want the program, they want it to continue and as
6 Mr. Fensel has suggested to you, this is not a temporary or an
7 emergency program, it is a continuing need and we can't see the
8 end of it in the foreseeable future and we think that the
9 legislature should determine an amount sufficient to carry this
10 for at least four years. Now, one of the reasons for that and
11 it may not be one of the most potent from your standpoint, is
12 that when you have to go to the people every two years, not
13 only does it require a great deal of work in making sure that
14 the people understand the issue and are fully advised, and that
15 takes considerable money, and in staging such a campaign an
16 appeal has to be made primarily to the building industry, the
17 architects, the engineers and to the teaching profession, be-
18 cause the CTA has taken the lead in all but one instance in
19 presenting the issue, in staging a state-wide campaign and having
20 been through some of that activity you know what is involved in
21 putting on a campaign. We think the legislature would be safe
22 in saying that here is an amount which they think is adequate
23 to do it for four years, and Mr. Barton of our staff, who has
24 been working very closely with Mr. Fensel and the Allocation
25 Board and others including Senator Dilworth, will be happy to
26 sit down and work out as accurately as possible what that amount

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1 should be.

2 CHAIRMAN BRITSCHGI: Thank you very much, Bob.

3 ASSEMBLYMAN ANDERSON: I would like to ask a question.
4 Mr. McKay, has your organization studied this AB 4012 to take a
5 position on it?

6 MR. MC KAY: Yes, we have examined it. We think that it
7 has a germ of an idea that might be developed. However, we are
8 not prepared to say that that is the immediate answer. We don't
9 think it is. We think that there is need for a continuing
10 program on a somewhat different basis than the one we have, but
11 we are not prepared to say that Mr. Rees's bill, as it now
12 stands is the answer to the problem.

13 ASSEMBLYMAN ANDERSON: Do you think we should be thinking
14 in terms of something like that?

15 MR. MC KAY: I think you should not only be thinking in
16 these terms, but in terms of some of the suggestions that have
17 come out of the State Department of Education. Dr. Frank Wright
18 has a series of suggestions on a foundation type program for
19 building. Yes, by all means, I think you should be considering
20 and exploring that, Mr Anderson.

21 CHAIRMAN BRITSCHGI: It is too bad Dr. Wright wasn't
22 able to be here today. He is down in Long Beach, and he asked
23 that at our next meeting that he be notified in time and he
24 does have information he will present to the committee along the
25 lines of thinking of the Department of Education, so actually
26 today is really just a kickoff on this series of hearings, and

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1 we will get started and as we go along we will finally gel all
2 of your group
3 the ideas/and the Department of Education, along with the
4 Department of Finance and the Chamber to see if we can't come
5 up with the right answer on this thing. I know that there were
6 to be some gentlemen here from the Commonwealth Club of San
7 Francisco. Is anyone here from that group?

8 MR. HEACOCK: Yes, I'm Mr. Heacock.

9 CHAIRMAN BRITSCHOI: I think that you have some informa-
10 tion - I know that you have done a tremendous amount of work on
11 the same line of thought that possibly is a little different -
12 I know that there is a difference of opinion as to just how
13 this thing should be done, and, Mr. Heacock, we would like to
14 hear from you on your thinking along this particular line.

15 MR. HEACOCK: I only have this to say. I cannot speak for
16 the Commonwealth Club this morning. The Board of Governors has a
17 very definite policy in regard to studies of the Commonwealth
18 Club. The Commonwealth Club is making a study of this exact
19 problem, have been for some two years. I happen to be chairman
20 of the the committee that's making the study. The Board of
21 Governors of the Commonwealth Club does not wish to make state-
22 ments until they have officially adopted a program which
23 they have not as yet. Now, we are approaching that state, but
24 we have not reached it yet. As I say, we have been studying it
25 for two years and we do hope to come up with a workable plan,
26 which is along the general lines that this committee seems to be
thinking.

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1 CHAIRMAN BRITSCHGI: Do you have any idea as to when you
2 will be through with your studies?

3 MR. HEACOCK: It is quite difficult to make any schedule.
4 We would rather expect it to be within the next say two, possibly
5 three months.

6 CHAIRMAN BRITSCHGI: That would be fine because these
7 committee meetings are going to be spread out over a period of
8 almost a year and a half and we at that time then could expect
9 to receive information from you at a later committee hearing?

10 MR. HEACOCK: We would be most happy to appear before you
11 and to furnish you with copies of the document as soon as it is
12 officially adopted, but up until that time, it is the policy of
13 the Board of Governors not to issue any statements until they
14 become official.

15 CHAIRMAN BRITSCHGI: What is your address, Mr. Heacock,
16 so we could keep you informed.

17 MR. HEACOCK: Address the Commonwealth Club at the St.
18 Francis Hotel in San Francisco.

19 CHAIRMAN BRITSCHGI: And we will send the information
20 in care of you?

21 MR. HEACOCK: It could come in care of me or just to the
22 Commonwealth Club. It will reach the proper parties in any event.

23 ASSEMBLYMAN ANDERSON: One question. Mr. Heacock, can you
24 tell me something about your organization?

25 MR. HEACOCK: The Commonwealth Club, I think it is correct
26 to say - I'm sure many of you people are quite familiar and know

1 that we have 8,000 members, 6,000 of which are within forty
2 miles of home base, San Francisco. There are some members
3 here of the Commonwealth Club. I think it is correct to say
4 it is one of the, if not the, greatest public forum in the United
5 States. I know Mr. McKay is a member, Frank Wright is a member.
6 They have been in existence for some 53 years, are constantly
7 studying public questions of this type through committees of
8 various types. They have an education section, which is the one
9 which is charged with this, the responsibility for this study.
10 Does that answer your question?

11 ASSEMBLYMAN ANDERSON: Yes, it does. Thank you.

12 CHAIRMAN BRITSCHGI: Thank you very much, and we
13 appreciate having you with us this morning. Now, I know we
14 have several members representing school districts or school
15 boards, and apparently everybody is a little bit shy and
16 doesn't want to say anything. I want to ask again if any of
17 the members here from the various school boards would like to say
18 a word or two on this particular bill and then we will get into
19 the other one so that everybody will go away with the feeling
20 at least we would like to have you heard if you care to say
21 something.

22 MR. GLANTZ: It would be a help to various school dis-
23 tricts to have this analysis that was read here earlier so that
24 they can get - they can study this legislation before these
25 hearings. I think - now, I had it, it was my own fault partly
26 that I didn't give it ample study, but I think it would help if

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1 we could get this out to all the districts. We in our county
2 here can duplicate the material you left here and we can get
3 that out to our own county, and I think from that standpoint
4 they would be in a better shape to analyze it properly.

5 CHAIRMAN BRITSCHGI: I think we could work that out.

6 MR. FENSEL: May I amplify my statement.

7 CHAIRMAN BRITSCHGI: You certainly may.

8 MR. FENSEL: The trend in fiscal procedures or financing
9 of government on the state level has, I think I should bring it
10 out, has been entirely away from the property tax. In 1911 - up
11 to 1911, the state levied a property tax to help finance the
12 general fund. It was abandoned at that time and the state taxed
13 utilities. They were removed from the local tax roll. Then
14 in 1933 two things happened. The utilities werereturned to local
15 government for taxation, as you well know. You know the diffi-
16 culties in that, too, and a county-wide property tax that has been
17 levied at the rate of \$30 for elementary and \$60 for high
18 school was taken as the property tax, in effect was taken overby
19 the state through the Riley-Stewart amendment in 1933. The
20 constitution at the present time provides that a limit of 25%, as
21 I recall it, ^{the} /maximum state can finance from property taxes. The
22 general feeling at that time, and I believe the chamber's posi-
23 tion was in opposition to that because we felt that might impair
24 the state's credit. It wasn't that anybody felt at that time
25 that the state should go into levying property taxes. It was
26 from the credit standpoint. At the present time the school

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1 districts that are bonded up to their five per cent capacity
2 probably do not levy a tax in excess of 40 cents for bond in-
3 terest and redemption, and some districts that are in this plan
4 have been levying the state plan, have been levying more,
5 but another effect that Bill Barton was pushing a bill through
6 the legislature put a 45 cent ceiling, is that right?

7 MR. BARTON: I wasn't even listening.

8 MR. FENSEL: The 45 cent limit - so at the present time
9 for school construction purposes with the bond interest redemp-
10 tion, you have perhaps a maximum of 45 cents, whereas the
11 figures computed by the State Department of Finance indicate that
12 you might have as high as \$1.30 rate for this program. Now,
13 there are a good many people that believe that property taxes are
14 too high at the present time and the effect of this might be
15 rather injurious. I'm not saying it would be. I'm just bringing it
16 out as a point.

17 ASSEMBLYMAN ANDERSON: Who gave this estimate of \$1.30?

18 MR. FENSEL: Mr. Harris has that.

19 MR. HARRIS: That is a unified school district that
20 received state aid on both grade levels - that is elementary
21 and high for the purposes of the state school building aid
22 program, only the unified school district is deemed to be two
23 separate elements, or entities, one high school and the
24 other the elementary, and have a bonding capacity of five per
25 cent on each grade level and computations are made as though
26 they were single districts, so they double up actually from the

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1 normal elementary or high school district, and it could then
2 instead of being 65 cents, be \$1.30.

3 CHAIRMAN BRITSCHGI: Do you feel that the five per cent,
4 change in that section of the law would help or be ruinous?

5 MR. HARRIS: I don't think it would have material effect.
6 To date the state participation in the program has amounted
7 to better than 75%. In other words, the districts' contribution
8 to the building program has only amounted to 23% so that if you
9 doubled their bonding capacity it would, possibly bring them
10 up into a higher range, but I still don't think it would be
11 ample to beat the problem and, of course, it would make a
12 tremendous impact on the local tax problem.

13 MR. FENSEL: May I add one point in connection with that
14 increase? When a bond issue failed to pass in a general session,
15 it was at the time the 185 million dollars was passed, there
16 was a citizens group formed to help legislators to try to get a
17 program that would be acceptable because it failed in the
18 legislature because there was some difficulty in the program
19 and one of the recommendations of that group was to go from five
20 per cent to seven per cent on the elementary level and cut the
21 junior college down by 2 per cent, and that we endorsed and tried
22 to push it through the legislature and we didn't get it. There
23 was resistance to it.

24 There is enough change in the legislature at the present
25 time, people that don't remember the dark thirties when tax
26 delinquencies went so high that people lost their property and

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1 these, of course, are safeguards, and some people tend to forget
2 that.

3 CHAIRMAN BRITSCHGI: Let me ask either of you two
4 gentlemen this particular question. We are talking about financ-
5 ing schools and I think we all feel on the matter the same way,
6 we are trying to work out the problem to the best financial
7 advantage to all of us concerned. Now, is it cheaper to have small
8 individual bond issues - I know that you suggested, Mr. Fensel,
9 that we do it more on a local basis rather than a state basis.
10 You correct me if I'm wrong, but that is what I gathered from
11 you or Mr. Harris. Is it cheaper to have one overall bond issue
12 and can we dispose of those bonds at a cheaper interest rate
13 than small individual district bond issues, and what is the
14 effect of their interest rate among the people, if you can
15 follow what I'm thinking.

16 MR. FENSEL: Yes, I do. I don't think we would have
17 figures enough to work on it. Most school districts can sell
18 their school bonds quite favorably unless there is a very heavy
19 district debt in addition to it for sanitation or for other
20 purposes, and then they can sell their bonds, but the interest
21 rates goes way up. But, if you were to have - this raises
22 a complication. If you were to levy a state tax, ad valorem, then
23 that would be in effect like other taxes, a lien on the property,
24 and then you get involved with these numerous districts and there
25 are a lot of them with heavy debts. It may bring about a compli-
26 cation that might be insoluble. I don't say it would be, but

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1 it is possible.

2 CHAIRMAN BRITSCHGI: Bill, do you have anything you want
3 to add to this? I don't want to put you on the spot. Bill Barton.

4 MR. BARTON: Just on that last point that some of the
5 school districts have had some difficulty in selling their local
6 bonds. I couldn't positively say that there are districts that
7 have ultimately after considerable effort failed to sell their
8 bonds, but the interest rate for the local district is
9 considerably higher than what the cost is on state bonds.
10 Sometimes there is a variation pretty close to two percent on
11 the different in interest rate. A lot of the smaller districts
12 are up to five per cent now on their local bonds, the interest
13 that they pay the state has varied considerably and now is
14 about three and a quarter per cent.

15 MR. FENSEL: About 3.6 per cent.

16 MR. BARTON: But, there always will in my opinion be a
17 variation definitely in the interest rate between state bonds
18 and the local bonds.

19 CHAIRMAN BRITSCHGI: I think we are interested in what
20 is the cheapest way to try to work this program out. Any other
21 gentlemen or any of the ladies, Mrs. Cloud, do you have anything
22 you would like to add to it?

23 MRS. CLOUD: No.

24 CHAIRMAN BRITSCHGI: Well, let us go on to the other
25 bill here and I will have Blanche read the legislative counsel's
26 analysis of AB 3903.

1 MISS HANSEN: (Reading) "This bill would provide a new
2 method of financing school district public works.

3 "Requires each county superintendent of schools, on or
4 before May 30 of each year, to secure from each school district
5 over which he has jurisdiction the estimated number of children
6 eligible to attend the schools of the district for each of the
7 succeeding five school years over the number of children in
8 attendance the preceding school year and to certify result to
9 State Allocation Board and Department of Education (Secs. 30016
10 and 30017 - Section references are to Education Code sections
11 to be added by the bill).

12 "Requires the Department of Education, on or before
13 May 30th of each year, to determine the area of adequate school
14 construction in each school district and the number of pupils
15 that can be adequately housed in such construction area. Requires
16 that for such purposes, pupils attending any school of the
17 district which in the determination of the department requires
18 replacement shall be considered inadequately housed. Requires
19 the department to confer with the governing board of the school
20 district for the purpose of determining replacement requirements
21 of the district. Requires the department to certify the results
22 of its determination of adequate school construction to the State
23 Allocation Board and the State Controller. Requires the depart-
24 ment, on or before May 30th of each year, to determine the
25 difference between the actual increase in enrollment during the
26 preceding school year and the increases estimated during the

1 preceding five years for that year for each school district,
2 and to certify the positive or negative differences to the State
3 Allocation Board. (Secs. 30021-30024)

4 "Requires the State Allocation Board, on or before
5 June 30th of each year, to determine and certify to the State
6 Controller the amount of money necessary for the following
7 (This amount is hereinafter referred to as the school district
8 public works amount.):

9 "(1) The purchase and improvement of school sites.

10 "(2) The purchase of desks, tables, chairs, and
11 equipment.

12 "(3) The planning and construction, reconstruction,
13 alteration of, and addition to, school buildings in each school
14 district which will provide school facilities for the number of
15 children eligible to attend the schools of the district the
16 next succeeding school year as certified by the county superin-
17 tendent of schools and the department.

18 "(4) The amount required to provide necessary housing
19 and equipment for the education of exceptional children.

20 "(5) The amount necessary to provide necessary
21 administrative and auxiliary facilities.

22 "(6) The amount necessary to replace existing school
23 buildings which the department has certified to the board as
24 requiring replacement. (Sec. 30026)

25 "Requires the State Allocation Board, for computing the
26 amount of money required for the purchase of school sites, to use

1 a projection of estimated increases in number of children
2 eligible to attend the schools of each district of not more than
3 five years; for the purpose of computing the amount of money
4 required for construction planning, a projection of not more than
5 four years; and for the purpose of computing the amount of money
6 required for all other purposes listed above, a projection of es-
7 timated increases of two years (Sec. 30027). Requires the
8 board, for each of these projections, to adjust the estimated
9 increase in number of children eligible to attend the schools
10 of each district received from the county superintendent of
11 schools by a number equal to the positive or negative difference
12 determined by the department for the projection period (Sec.
13 30028).

14 "Requires the State Allocation Board, before making
15 the certification to the Controller of the amount of money
16 necessary for the above listed purposes and after consultation
17 with the Division of Architecture, to establish current construc-
18 tion cost standards for new construction in each school district
19 (Sec. 30029).

20 "Allows the State Allocation Board to establish such rules
21 and regulations relating to procedure, forms, and information
22 as it deems necessary for the administration of the act (Sec.
23 30030).

24 "Requires the State Controller, on or before July 30th
25 of each year, to compute the total amount necessary to:

26 "(1) Pay the principal and interest on the outstanding

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1 bonds of all school districts of the State issued on or before
2 the 30th day of June, 1958, that will become due and payable
3 during the current fiscal year.

4 "(2) Pay the principal and interest on all outstanding
5 bonds issued pursuant to Sections 16.5, 17, and 18 of Article
6 XVI of the Constitution of the State that will become due
7 and payable during the current fiscal year.

8 "(3) Allocate to the school districts of the State
9 during the current fiscal year the amount certified to him by
10 the board as the school district public works amounts pursuant
11 to Section 30026.

12 "(4) Reimburse the members of the State Allocation
13 Board for their actual and necessary expenses incurred in con-
14 nection with the performance of their duties during the current
15 fiscal year.

16 "(5) Pay the estimated cost incurred by him during the
17 current fiscal year in connection with the administration of the
18 act (Sec. 30031).

19 "Requires the State Controller to deduct from the total
20 state public works amount so computed an amount equal to 30
21 per cent (Sec. 30032).

22 "Requires transfer to the State School Building Construc-
23 tion Fund (which would be created by the bill) from the General
24 Fund, on order of the State Controller, an amount equal to 30
25 per cent of the total state public works amount so computed
26 (Secs. 30011 and 30033).

1 "Requires the Controller, on or before July 30th of
2 each fiscal year, to secure from the State Board of Equaliza-
3 tion data and information necessary for him to compute the
4 relationship between assessed valuations and market values in
5 each county of the State. Requires him to determine such
6 relationship for each county and for the State as a whole. Pro-
7 vides that when the percentage of assessed to market value in any
8 county as determined by the Controller does not differ from the
9 state-wide average of assessed to market value as determined by
10 him by more than 10 per cent of the state-wide average, the
11 Controller shall disregard the difference.)Sec. 30034)

12 "Requires the Controller to determine the amount of
13 money which must be raised in each county in order to provide
14 an amount equal to 70 per cent of the total state public works
15 amount computed by him (Sec. 30035).

16 "Requires him to determine this amount by computing an
17 amount for each county which bears the same ratio to the total
18 amount to be raised as the assessed valuation of the county bears
19 to the total assessed valuation of all property in the State. If
20 the percentage of assessed to market value in any county differs
21 from the state-wide average of assessed to market value by
22 more than 10 per cent of the state-wide average, the Controller
23 is required to equalize the valuation of taxable property in the
24 several counties for the purpose of making the above computations.
25 Requires him to certify the amount so computed for each county
26 to the board of of supervisors of the county not later than August

1 10th of each year. (Sec. 30036).

2 "Requires the Board of supervisors of each county to levy
3 and collect a tax sufficient to raise the amount certified to it by
4 the controller (Sec.30041). Requires the levy to be made by
5 the county auditor if the board of supervisors refuses or
6 neglects to make the tax levy (Sec. 30042). Limits the tax to
7 \$1.20 for each \$100 of assessed valuation (Sec. 30043). Provides
8 that when the amount which is raised is less than the amount
9 certified to the board of supervisors because of this limitation,
10 the county treasurer must certify the amount of the deficit to
11 the Controller (Sec. 30043). Requires transfer to State School
12 Building Construction Fund from General Fund of amount of such
13 deficits (Sec. 30037).

14 "Provides that when the tax in a county having a deficit
15 is less than \$1.20 for each \$100 of assessed valuation, the
16 Board of supervisors is required to levy such additional tax to
17 a total tax of \$1.20 for each \$100 of assessed valuation as is
18 necessary to collect the deficit (Sec. 30044). Requires that the
19 tax proceeds be paid to the State Treasurer for credit to the
20 State School Building Construction Fund (Sec. 30045). Provides
21 that the money received from the additional tax (levied to make
22 up any deficit) shall be paid to the State Treasurer for
23 credit to the General Fund (Sec. 30046).

24 "Requires the Controller to draw warrants on the State
25 School Building Construction Fund in favor of the county
26 treasurer of each county in an amount equal to the total school

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1 district public works amounts determined by the board and
2 certified to the Controller pursuant to Section 30026. Provides
3 that the warrants shall be drawn upon certification by the county
4 superintendent of schools having jurisdiction over the district
5 that the district has incurred obligations for which it is entit-
6 led to an allocation of funds pursuant to the act. Requires the
7 county treasurer to credit the money so received to the State
8 School Building Construction Fund of the school district
9 exactly as allocated by the Controller. (Sec. 30051)

10 "Requires school districts to repay the negative amounts
11 certified to the Controller when a negative amount is certi-
12 fied as the school district public works amount for the district.
13 Prescribes procedure for such repayment. Provides repayment to
14 be deposited in the state treasury to the credit of the State
15 School Building Construction Fund. (Sec. 30052)

16 "Provides that not more than 20 nor less than 5 days
17 before the maturity of any principal or interest of school
18 district bonds, the Controller shall draw warrants on the
19 State School Building Construction Fund in favor of the county
20 treasurer of each county in an amount sufficient to pay the
21 principal and interest of outstanding district bonds issued on or
22 before June 30, 1958, which will become due and payable during
23 the current fiscal year (Sec. 30053).

24 "Provides that on the dates of maturity of principal
25 and interest of state bonds issued pursuant to Sections 16.5,
26 17, and 18 of Article XVI of the State Constitution, there shall

1 be transferred to the General Fund from the State School Building
2 Construction Fund, on order of the Controller, an amount equal
3 to the amount of principal and interest then due. Provides
4 for transfer to the General Fund from the State School Building
5 Construction Fund, of such amount as the Controller, with the
6 concurrence of the Director of Finance, estimates is the cost
7 incurred by him during the current fiscal year for the administra-
8 tion of the act. Appropriates such sum for the support of the
9 Office of the Controller. (Sec. 30056)

10 "Transfers unapportioned moneys in the Public School
11 Building Loan Fund and the State School Building Aid Fund to the
12 State School Building Construction Fund on June 30, 1958.
13 Requires that on and after June 30, 1958, the proceeds of bonds
14 issued pursuant to Sections 16.5, 17, or 18 of Article XVI of
15 the State Constitution shall be placed in the State Treasury to
16 the credit of the State School Building Construction Fund, to be
17 allocated and disbursed pursuant to this act (Sec. 30061)."

18 CHAIRMAN BRITSCHGI: Thank you very much, Blanche.
19 Now, that is - there is possibly more thought in this par-
20 ticular bill than in a new type of financing. From the State
21 standpoint, Mr. Harris, how do you feel that this particular
22 bill differs from the other and whether this would be at all
23 feasible?

24 MR. HARRIS: Well, this bill does two things - first it
25 places the cost of school construction on a current basis, on
26 a cash basis, and second it provides a state-wide equalization

1 program. I think in simple language that basically that is what
2 the bill provides. During the legislative session we were asked
3 to prepare some estimates and we did and we are using crude
4 figures, that is, known figures that don't correlate as to
5 years and such and we came up with an amount that would have
6 required a state-wide tax rate of \$1.37 1/2.

7 The legislative auditor made his estimate and I believe
8 we were relatively close. Now our estimate was based on the
9 reported cost of school construction for the 1955-56 calendar
10 year, made by the Division of Architecture. They receive all
11 school plans and get the final costs. They had a cost of 270
12 million dollars during the 1956 calendar year. To that we added
13 an estimate of 20 per cent for costs not normally included or
14 not included in the Division of Architecture's figures for site
15 development, offsite development, utilities, site acquisition,
16 tests, surveys and plans and inspection, furniture and equipment
17 and other incidental costs. That amounted to 54 million dollars
18 and brought it up to 324 million dollars. To that we added the
19 principal and interest cost of the school districts for the
20 1955-56 fiscal year, which was the latest figure we could get
21 from the State Controller's annual reports. That was an 85 million
22 dollar figure. To that we added 19 million dollars for the state
23 school building bonds for an overall cost of 428 million dollars.
24 The amount that would be financed at 30% from the State School
25 Building Construction Fund was 128 million dollars.

26 If those costs continued year after year in the same

1 ratio that that would be the burden on the State general fund
2 and would leave 299 million or approximately 300 million
3 dollars to be financed through the state-wide equalization
4 plan, although the bill now limits the tax rate to \$1.20 which
5 would add a greater burden to the State general fund.

6 Now, there is one thing, the bill contemplates no
7 further issues of bonds by the school districts and as they
8 are retired those costs will go down, but it is a new approach,
9 a bold approach.

10 ASSEMBLYWOMAN DONAHOE: May I ask a question? We
11 notice the school bond tax rate on the state level is \$1.37.

12 MR. HARRIS: All costs of school construction, that is
13 repayment of the state loan, the repayment of school district
14 bonds, would be thrown into this common pot and financed out of
15 the - well, now it is \$1.20 limit as specified in the bill,
16 and those costs would all be paid through this equalization pro-
17 gram. The counties would retain the amount necessary to pay
18 those costs and their own bond and the balance would be sent into
19 the State Controller. Those districts where the \$1.20 would not
20 be sufficient to pay the cost withdraw out of the clearing house,
21 so to speak.

22 CHAIRMAN BRITSCHGI: It certainly is a definite new
23 approach to school financing, there is no doubt about it.

24 MR. HARRIS: I'm going to make a personal observation on
25 that. I have heard expressions from administrators, school
26 administrators, that costs of school construction should be

1 borne over a greater period of time because of the use of the
2 facilities. In other words, you are putting , in many instances,
3 the cost of the school construction on taxpayers in the dis-
4 trict in say four or five years and those that come and have
5 children in school in later years enjoy the benefits without the
6 cost of providing facilities-by long term bonding actually
7 you are spreading the cost of the facility over a longer period
8 of time.

9 CHAIRMAN BRITSCHGI: One thing that bothers me a little
10 bit on this, Mr. Harris, and maybe you can clarify it. As far
11 as this bill is concerned, I would assume that the State then
12 would have complete control under this particular type of bill
13 in all school construction. You would be away from, we might
14 state, the typical type of state aid that we have now. You would
15 divorce that completely from our picture of state aid today, is
16 that a correct statement?

17 MR. HARRIS: Basically all school districts would be
18 getting their support through the state program or it would be
19 run through the clearing house, although I don't think the
20 bill contemplates the controls that are now in the state aid
21 programs. I think it would be a good deal more liberal and
22 more left to the local districts.

23 CHAIRMAN BRITSCHGI: The reason I say that is that I
24 happen to have here a report made by Mr. Tormey of our school
25 department here, and this just bothers me. It has nothing really
26 to do with what we are talking about here at the moment in a

1 direct way, but indirectly it does. These reports are given out by
2 Mr. Tormey and I assume they are correct and he states that
3 school construction under state aid is--actually there is really no
4 comparison as to the cheapness and the way you can do it on a lo-
5 cal level. Now, if we are going to get into a project such as
6 this bill here would contemplate in doing it, on a complete overall
7 state construction project is what it amounts to, I think we
8 are going to add tremendous cost to our school construction.

9 Now, just for an example here, according to Mr. Tormey's
10 figures and probably Ed will check this out with me, that no-
11 where along the line in comparative types of construction has
12 our school construction, at least the San Mateo County, without
13 state aid run over probably \$14 a square foot on construction
14 that we have done, but on state aid it is as high as \$16, and there
15 is a lot of difference if you are going to build all schools in
16 the state of California, and we could save a lot of money on the
17 difference between 14 and 16.

18 MR. HARRIS: Is that study limited to San Mateo County
19 state aid?

20 MR. GLANTZ: That is right, San Mateo County experience.

21 CHAIRMAN BRITSCHGI: I'm just wondering if we aren't walk-
22 ing into something here that would cost us a lot more money.

23 MR. HARRIS: I think possibly, as a matter of fact--

24 ASSEMBLYMAN HOUSE: Mr. Harris, do you think that this bill
25 contemplates our future growth and tremendous increase in
26 enrollment in our public schools?

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MR. HARRIS: The bill does, yes. The figures that I mentioned here, we are using the figures for analysis and a comparative purpose and we have used only current day known figures to get some idea of what it might cost if the bill were say in effect this year or had been in effect in the near future.

ASSEMBLYMAN HOUSE: The figures you used are only for the current, not projected into the future, with our present growth and future enrollment.

MR. HARRIS: Undoubtedly they would go much higher and further there are many school districts throughout the state that are living with facilities that are old and probably would not meet the Field Act, and if this came into existence, then it would be just smart business to get a new school if you could, so I imagine the cost of school construction would go up for just replacement of old facilities that are probably inadequate at the present time, but the people feel that they are adequate for their purposes, so your costs would go higher on that.

ASSEMBLYMAN HOUSE: If we don't get it somebody else will."

ASSEMBLYWOMAN DONAHOE: Mr. Harris, there is actually no control or trigger on this bill at all?

MR. HARRIS: There is something, some authority given the State Allocation Board, but I don't believe it is strong enough.

ASSEMBLYWOMAN DONAHOE: There is no sliding scale or no alternate way, for instance, if you should hit a recession or

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1 regardless of the economy this is it, there is no adaptation
2 other than the actual straight--

3 MR. HARRIS: Probably you would have to set your cost
4 limitations for areas and I imagine that would be one of the
5 responsibilities.

6 ASSEMBLYWOMAN DONAHOE: Does this bill permit us to
7 set the cost per area?

8 MR. HARRIS: I'm not too sure.

9 ASSEMBLYWOMAN DONAHOE: I was wondering if there is
10 any kind of leverage there that can tie the bill with the
11 economy of the particular district because if we don't, then
12 some of these metropolitan areas versus some of the rural moun-
13 tain areas are going to hit an impact and we will have another
14 north-south feud or urban-rural feud again. It isn't really
15 written in then?

16 MR. HARRIS: I will look at that and see if I can find it.

17 ASSEMBLYWOMAN DONAHOE: I can't find it.

18 MR. FENSEL: Mr. Chairman, most of my previous testimony
19 is directed to this bill as well as to the other one. Not
20 speaking for or against the bill, but with reference to the
21 figures you mentioned on construction, a couple of weeks ago the
22 United States News and World Reports had an article on school
23 construction costs. Their local person called me to get California
24 costs and the best I could do was go through the Allocation
25 Board figures. Every time they met and allocated money on the
26 basis of a contract they showed the unit cost, and the unit

1 cost on the projects that I looked at - these are state projects,-
2 was running between \$12 and \$14. They aren't running \$16 excepting
3 in very rare instances where you have a mountainous condition
4 with long transportation.

5 Now, in the present law surrounding the state grant
6 and loan program, there was written in, you remember I told you
7 the time the Citizens Committee was meeting, the law was amended
8 to require that any school district receiving money had to keep
9 its cost down to the average of the known recipient districts, so
10 the \$16 is quite an unlikely figure. I would just like to take
11 these same figures that I was using before to bring out another
12 point.

13 In 1955-56 the total capital outlay expenditures for
14 all schools in the state was 341 million dollars. The year be-
15 fore it was 318 million, and 282 million before that, so you
16 can see this program is rising all the time and will probably
17 continue to do so, but assuming that for the next five years or
18 so it would run around say 350 million dollars. You are still
19 well under, or you could go to a period - take up to a billion -
20 we have in our total history of the state, most of it, con-
21 structed 2,640,000,000. Now, I mention this only from the
22 standpoint that you have a going program, and it is working well,
23 and you have got such a tremendous part of it accomplished and
24 before you can put a bill in like this so much more would be
25 accomplished. It is always wasteful to change - look at the dis-
26 locations you get. If we were a new state and developing new, why

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1 then something like that would work fine perhaps, but it might
2 be quite wise to look at the future. Thank you.

3 CHAIRMAN BRITSCHGI: I want to state that, and again we
4 are off the subject a little bit - in Mr. Tormey's report, and
5 I think it is quite interesting and I would like to just point
6 this out. According to his report he says: "The State Building
7 loan requirements virtually compel districts to include within the
8 overall contract items which could be more economically provided
9 separately. This is true because in qualifying for a state
10 loan, a district must turn over virtually its entire bonding
11 capacity to the state, plus a certain percentage of reserve
12 funds. This means that if only the bare shell of a building
13 is secured, the district frequently is left with inadequate means
14 of securing other needed items. A good example is the recurring
15 instance of incinerators.

16 "Generally speaking, these incinerators are separate
17 structures, usually located at the corner of the school yard and
18 generally within a protective fence. Recommendations of the
19 San Mateo County Advisory Committee on School Building Economies
20 suggest that such items should not be in the overall building
21 contract. State aid districts almost invariably do so with the
22 following interesting results:

23 "(1) The incinerator must be earthquake proof (a recent
24 bid calls for 2000 cement base structure). This earthquake
25 proofing automatically increases the cost.

26 "(2) Profit and overhead of the contractor, etc.,

are added to the cost of the incinerator, and to the architect's fee.

"(3) The total cost to the district, in sample cases, is some 60 per cent over the price for which the district could secure precisely the same incinerator installed separately."

And that is the thing I'm just worried about. If we get into this overall state, actually state control, regardless of whether you like it or don't like it, of school construction, I think you are going to find your costs are going to be much higher than what we are doing even at the present time. Somewhere along these bills, I would like to see some of you fellows come along with a suggestion that we more or less leave it on a local control basis. I think we would be much further ahead on that if we could possibly do that.

MR. DENSEL: I'm sur the State Chamber would support a local control.

ASSEMBLYWOMAN DONAHOE: This is state control.

CHAIRMAN BRITSCHGI: There is no doubt about it. One of the complaints I had in our school construction down in Runnymede, and it is under state aid, was that the nails have to be no further than four inches apart in any board that is nailed to a 2 x 4. The state insepctor was down there and he measured every nail. So see how ridiculous you get, to the point, and and he found they were 4 1/2 inches apart, and they had to put another nail in between those things and the whole building is all nails.

1 MR. FENSEL: May I ask which department inspected that?
2 I'm not aware which department has the authority to do that.

3 CHAIRMAN BRITSCHGI: I imagine it must be--

4 MR. GLANTZ: Architect, Department of Architecture.

5 CHAIRMAN BRITSCHGI: Yes, the State Division of Architect-
6 ture, Department of Public Works.

7 MR. GLANTZ: Under Title 21.

8 CHAIRMAN BRITSCHGI: Mr. Harmen, we would like to hear
9 from you.

10 MR. HARMEN: I was saying these requirements are set up
11 under Title 21, Department of Public Works and have due course
12 of law and an inspector would have no option except to enforce
13 them because it is part of the earthquake resistant act passed
14 by the Legislature and has nothing to do with state or local
15 control. It would still be controlled under Public Works.

16 CHAIRMAN BRITSCHGI: You would have to have that same type
17 of construction.

18 MR. HARRIS: I wanted to make that point that regardless
19 of whether it was state aided or non-state aided construction
20 project, the Division of Architecture has the responsibility of
21 inspecting projects under Title 21, and if the nails were not the
22 proper distance apart in either project, he would have made the
23 change.

24 CHAIRMAN BRITSCHGI: I see.

25 MR. FENSEL: We might point out, though, that there have
26 been abuses in construction where buildings have later perhaps

1 collapsed or haven't been strong enough because the inspection
2 wasn't adequate. Now, that can happen.

3 CHAIRMAN BRITSCHGI: Do you feel by either of these two
4 bills that we are maybe overfinancing certain districts. Would
5 that be a problem in the passage of these bills?

6 MR. FENSEL: I mentioned before that where you have a dis-
7 trict that is entirely paid for, has entirely paid for its
8 project and then it is sort of in the clear, then you come
9 along and plaster a tax on top of it to pay for somebody else's,
10 it can't help but be inequitable.

11 CHAIRMAN BRITSCHGI: I don't happen to be Scotch, I happen
12 to be Swiss, but I can't stand waste in any extent. It just kills
13 me to see things being wasted. That is one thing I wouldn't want
14 to be a party to, a bill that is going to cause waste in the
15 state. I suppose it's hard to watch on the overall level, but
16 believe me, I tell you I watch my pennies. They are kind of hard
17 to get now days. Bob, do you have anything to say on this par-
18 ticular bill that would be any different?

19 MR. MC KAY: I think nothing further at this point, Mr.
20 Britschgi. I suspect if we were starting from scratch and
21 nobody had built any school buildings in any district, this
22 might theoretically work out, but as Mr. Fensel has pointed out,
23 some of the practical problems and I think there would be
24 tremendous resistance to this approach, not only from the question
25 of imposition of a tax on the district that had taken care of
26 its own needs, but practical problem of providing the initial

1 pot of money to start the thing off. Eventually it would even
2 off. I don't know whether Mr. Barton has any comments to make.

3 MR. MARTON: No, I think not. One thing went by a while
4 ago, Mr. Britschgi, that I would like to question, as Mr.
5 Fensel did though, because I wouldn't want anybody to be left with
6 the wrong opinion and that was in comparison of cost in San Mateo
7 County. I believe the figure was \$12 average cost for local
8 construction and \$16 a square foot for school aided construction.
9 If the State Allocations Board has been operating correctly
10 within the laws which have been set for it on this cost protection
11 guarantee that is now written into the state aid law, it would
12 be absolutely impossible for those figures to be a correct
13 comparison. Whether they are comparable figures for comparable
14 amounts of construction, I don't know.

15 MR. BRITSCHGI: Let me correct this, Bill, if I may.
16 The \$16 figure is a figure for additions and that holds true on
17 both cases, state aid and the nonstate aid, and the construction
18 of a complete new school I assume, on the state aid is probably
19 about \$12.50, maybe \$13, but on a nonstate aid where we are
20 down to well, there are three different types here - \$9, \$10,
21 and less than \$12.

22 MR. FENSEL: How old are the figures?

23 CHAIRMAN BRITSCHGI: These are apparently from bids up to
24 1955.

25 MR. FENSEL: I'm skeptical that anybody is building a new
26 building today at \$9 a square foot. I don't think it could be done.

1 \$12 is considered a reasonable figure.

2 CHAIRMAN BRITSCHGI: We will have to hold up the honor of
3 this report here.

4 MR.BARTON: I simply wanted to add, Mr. Britschgi, that
5 there is definite provision in the law and this is not statewide,
6 but they do it district by district where they take samplings
7 of cost, construction costs, in that particular area where the new
8 state aided school project is to be built, and the state aid cost
9 cannot exceed the average costs in that district and they base
10 that cost upon the cost of buildings that are being built out of
11 local funds, and if the law is being properly administered, what
12 I'm trying to say is, it would be practically impossible for
13 the state aided school project to exceed per square foot the cost
14 of a local project, and if those figures that were quoted are
15 true, there certainly - it certainly should be brought to the
16 attention of the local allocation board because they would be
17 in violation of the law under which they operate.

18 CHAIRMAN BRITSCHGI: Well, I assume this report here
19 is certainly a public document that was presented to the Board
20 of Supervisors in Mr. Tormey's Report. Now, that is the only
21 thing I can go on, Bill. I don't know whether the facts - Ed is
22 here - you would have to back them up if you got backed against
23 the wall.

24 MR. GLANTZ: Mr. Chairman, I would like to mention in con-
25 nection with either of these two bills that some provision
26 should be made where wealthy districts do not come in for their

1 share of this so-called equalization money. In other words, I
2 would recommend something in the nature of transportation equaliza-
3 tion funds that is allocated out on the basis of what a certain
4 tax rate will provide in a given district, all costs over what
5 the state will reimburse the district for necessary costs and
6 expenditures and that would automatically throw out the wealthy
7 district. Like in Kern County, originally we had some very
8 wealthy districts down there. There are some districts down there
9 that have over a million dollars behind each youngster, that
10 over a million dollars of assessed value behind each youngster,
11 and they definitely should not come in for any of this so-called
12 state building money.

13 ASSEMBLYWOMAN DONAHOE: We have some very poor ones, too.

14 MR. GLANTZ: I think the assessed valuation among some
15 of the districts is one of the greatest - we have the oil and
16 we have nothing. Certainly there should be some provision made
17 where those districts do not benefit by this state money.

18 ASSEMBLYWOMAN DONAHOE: That is why I was asking Mr.
19 Harris if there wasn't a trigger somewhere in here that brought
20 equalization to this. I don't want anything where Los Angeles
21 with their 31 powerful votes can come in and whip away our
22 impacted federal money like they tried to five years ago. That
23 was before your time, Mr. Anderson.

24 MR. GLANTZ: I realize it would be difficult to put over
25 such a thing because we have wealthy districts such as San
26 Francisco that wouldn't go for it at all. That would be a rough

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1 thing to overcome, but I think it would be an equal type of
2 thing to try to put in.

3 MR. FENSEL: I think we would be remiss in a consideration
4 like this where the tax is so great on the general fund and the
5 demand without thinking of other things that the state needs. We
6 have a very large water problem and there are others and to
7 shift a burden on to the state and general fund just seems to be
8 out of the question. I don't see how it could be done.

9 CHAIRMAN BRITSCHGI: Anyone else have any comments to
10 make on these particular bills? Assemblyman House, do you have
11 anything to add?

12 ASSEMBLYMAN HOUSE: No.

13 ASSEMBLYWOMAN DONAHOE: I have nothing.

14 MR. ANDERSON: Nothing more right now.

15 CHAIRMAN BRITSCHGI: I think that we have just about
16 explored these particular bills as far as we can go today on
17 them and we can just about be ready to adjourn if no one has any-
18 thing else to add to them. The committee naturally hasnot reached
19 a decision on any of the particular bills. Our particular job is
20 to go throughout the state and to gather information as we have
21 gathered here today and as I told you the members of the School
22 Board group will be with us at the next hearing which will be
23 set later on, and the information will then all be put together
24 and this committee then will have a good basis to make a recom-
25 mendation to the Education Committee for corrective legislation,
26 ^{it} whichever/happens to be, one way or the other. So I want/^{you}to

1 go away from here today with the fact that you are learning and
2 we are learning and we are certainly open minded on the matter.
3 I would like to certainly thank everyone for their courteous atten-
4 tion and for being here, and if anyone before we close would
5 like to add their word, why we are very happy to hear from you.
6 I know some of you fellows are here as observers, and we want
7 you, if you don't want to say anything now, we want you to go
8 back and tell your bosses that we appreciate the fact that you
9 were given the time to be with us and I know that when we have
10 a lot of different thoughts on this some good legislation will
11 come out of it, I'm sure. What the answer will be we will have
12 to wait until 1959 probably. I would like to thank you all
13 and Blanche, have we covered it?

14 MISS HANSEN: Yes.

15 CHAIRMAN BRITSCHGI: We will adjourn the meeting then.
16 Thank you.

17 (Thereupon the meeting was adjourned.)
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REPORTER'S CERTIFICATE

---oOo---

This is to certify that I, Alice Book, a Certified Shorthand Reporter, was present at the time and place the foregoing proceedings were had and taken before the Assembly Education Committee, Subcommittee on School Construction Funds, in the Villa Hotel, San Mateo, California, on October 9, 1957, and that as such reporter I did take down said proceedings in shorthand writing, and that thereafter I caused the shorthand writing to be transcribed into longhand typewriting, and that the foregoing pages beginning at the top of page 1 to and including line 16 on page 56 hereof, constitute a true, complete, accurate and correct transcription of the aforementioned shorthand writing.

Dated this 14th day of October, 1957.



Certified Shorthand Reporter

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